

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Ottawa County Central Dispatch Authority	County Ottawa
Audit Date 12/31/04	Opinion Date 3/16/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

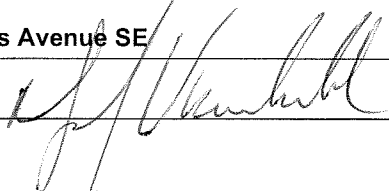
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 2330 East Paris Avenue SE		City Grand Rapids	State MI
Accountant Signature 		ZIP 49546	Date

**OTTAWA COUNTY CENTRAL
DISPATCH AUTHORITY
(a Component Unit of Ottawa County)**

Grand Haven, Michigan

FINANCIAL STATEMENTS

For the Year Ended December 31, 2004

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements for the Year Ended December 31, 2004	
Statement of Net Assets and General Fund Balance Sheet	9
Reconciliation of General Fund Balance Sheet to Statement of Net Assets	10
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance	11
Reconciliation of the General Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	13
Notes to Financial Statements	14-20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

March 16, 2005

Board Members
Ottawa County Central Dispatch Authority
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY**, a component unit of Ottawa County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the **Ottawa County Central Dispatch Authority's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **Ottawa County Central Dispatch Authority** as of December 31, 2004, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2005 on our consideration of the **Ottawa County Central Dispatch Authority's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, looped initial 'L'.

MANAGEMENT'S DISCUSSION AND ANALYSIS



OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY

As management of the Ottawa County Central Dispatch Authority (the "OCCDA"), we offer readers of the Ottawa County Central Dispatch Authority financial statements this narrative overview and analysis of the financial activities of this Component Unit of Ottawa County, Michigan, for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

1. GASB 34 financial statement presentation

This year's financial statements and accompanying notes follow the direction of the Governmental Accounting Standards Board (GASB) from their Statement No. 34. GASB is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the ultimate authority on GAAP for state and local governments.

2. Major asset purchases included an Audiolog system and final payments on XYBIX dispatch furniture and a TDS phone system installed before December 31, 2003, with payments in 2004 totaling approximately \$71,382.

3. Major debt payments include the 2002 Mobile Communication System installment purchase agreements and the Ottawa County Building Authority bonds.

4. Staffing

Positions Filled	January 1, 2004	December 31, 2004
Director	1	1
Deputy Director	1	1
Secretary	1	1
Records Supervisor		1
MIS Director	1	1
Radio/Data Systems Manager	1	1
Dispatch Supervisors	5	5
Dispatchers	19	19
Call Takers	6	3
Total Full Time Staff	35	33
Permanent Part Time Dispatchers	3	2

The Board approved a records supervisor.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the OCCDA financial statements. The OCCDA's basic financial statements comprise three components:

1. government-wide statements
2. fund financial statements, and
3. notes to the financial statements.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net assets and general fund balance sheet on a single page and the statement of activities and general fund revenues, expenditures and changes in fund balance on a single page. This report also contains other supplementary information in addition to the basic financial statements themselves.

Note that Ottawa County government wide financial statements are not herein presented because the OCCDA is a component unit of the County. The County presents their financial statements elsewhere and in a manner partially resembling private-sector business in its government-wide financial statements in compliance with GASB Statement No. 34.

Government-wide Statements

The statement of net assets presents information on all of the OCCDA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OCCDA is improving or deteriorating.

The statement of activities presents information showing how the OCCDA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the component unit financial statements distinguish the function of the OCCDA which is principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the OCCDA include providing a centralized emergency dispatch system within Ottawa County and selected parts of Allegan and Muskegon Counties.

The government-wide financial statements include only the OCCDA itself (known as the *primary government*).

The OCCDA has no legally separate component units for which the OCCDA is financially accountable. In this report, financial information for the OCCDA is reported separately from the financial information presented for Ottawa County which reports the OCCDA as a component unit.

The government-wide financial statements can be found on pages 9 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The OCCDA, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the OCCDA is accounted for in a governmental fund (General Fund).

Governmental funds. *Governmental funds* (General Fund) are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, general fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the general fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the general fund balance sheet and the general fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the general fund and *governmental activities*.

The OCCDA maintains one governmental fund (the General Fund). Information is presented in the general fund balance sheet and in the general fund statement of revenues, expenditures, and changes in fund balances for the OCCDA. The general fund is a major fund for financial reporting purposes as defined by GASB Statement #34.

The OCCDA adopts an annual appropriated budget for its fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 9 through 13 of this report.

The OCCDA does not maintain proprietary nor fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the OCCDA's financial statements. The notes to the financial statements can be found on pages 14 through 20 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The OCCDA's Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the OCCDA, assets exceeded liabilities by \$7,088,044 at the close of the most recent fiscal year, December 31, 2004.

By far, the largest portion of net assets for the OCCDA is unrestricted and available for OCCDA activity. The bulk of the remaining portion of the OCCDA net assets reflects its investment in capital assets (primarily telecommunication, computer and office equipment), less any related debt that is still outstanding. The OCCDA uses these capital assets to provide emergency dispatch services to Ottawa, Muskegon and Allegan Counties' local government emergency services divisions and ultimately to citizens; consequently, these assets are *not* available for future spending. Although the OCCDA investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Ottawa County Central Dispatch Authority Net Assets

Governmental Activities	<u>December 31, 2003</u>	<u>December 31, 2004</u>
Current and other assets	\$4,390,212	\$4,846,832
Capital assets	<u>3,739,915</u>	<u>3,070,867</u>
Total assets	8,130,127	7,917,699
Long-term liabilities outstanding	675,625	485,051
Other liabilities	<u>1,115,438</u>	<u>344,604</u>
Total liabilities	1,791,063	829,655
Net assets:		
Invested in capital assets, net of related debt	2,197,668	2,395,242
Restricted	18,874	10,754
Unrestricted	<u>4,122,522</u>	<u>4,682,048</u>
Total net assets	<u>\$6,339,064</u>	<u>\$7,088,044</u>

Ottawa County Central Dispatch Authority Changes in Net Assets

Governmental Activities	<u>December 31, 2003</u>	<u>December 31, 2004</u>
Revenue:		
Program revenue:		
Charges for services	\$ 3,451	\$ 2,685
Operating grants and contributions	3,334,347	3,600,561
Capital grants and contributions	420,804	420,804
General revenue:		
Interest earned	<u>44,948</u>	<u>57,774</u>
Total revenue	<u>3,803,550</u>	<u>4,081,824</u>
Expenses:		
Public safety	3,279,566	3,291,788
Interest expense	<u>76,580</u>	<u>41,056</u>
Total expenses	<u>3,356,146</u>	<u>3,332,844</u>
Increase (decrease) in net assets	447,404	748,980
Net assets – beginning of year	<u>5,891,660</u>	<u>6,339,064</u>
Net assets – end of year	<u>\$6,339,064</u>	<u>\$7,088,044</u>

Governmental activities

The overall financial position of the OCCDA remains strong. Debt payments on the 2002 Mobile Communications System installment purchase agreements continued as well.

Because the OCCDA receives the bulk of its income in a transfer of authorized millage from Ottawa County (less Ottawa County Building Authority bond payment amounts) in April or May of each year, the OCCDA holds a strong cash position at year end to carry operation costs through the date of the spring revenue receipt. Also, timing of the payment on the annual installment purchase contracts was made to coincide with the revenue receipt.

Unused operating funds are placed into equipment purchase and replacement reserves by OCCDA Board action to support future equipment costs.

Expenses and Revenues - Governmental Funds

The primary focus of the OCCDA is providing dispatch services for all of Ottawa County and local unit emergency services departments including certain locations within Allegan and Muskegon Counties. Overall costs of operations were reduced \$659,398 from \$4,212,039 for FY 2003 to \$3,552,641 in 2004 primarily due to a reduction in capital outlay. Actual costs are shown below:

	<u>2003</u>	<u>2004</u>
Personal services	\$1,852,443	\$1,938,969
Supplies	72,401	57,316
Other	517,691	562,286
Totals	<u>\$2,442,535</u>	<u>\$2,558,571</u>

Revenues by Source - Governmental Activities

Much of this increased funding was provided by increased millage revenue (Ottawa County transfer) from \$2,870,273 in FY 2003 to \$3,135,533 in FY 2004.

	<u>2003</u>	<u>2004</u>
Intergovernmental revenue	\$3,755,151	\$4,021,365
Interest on investments	44,948	57,774
Charges for services	3,451	2,685
Totals	<u>\$3,803,550</u>	<u>\$4,081,824</u>

These revenue resources are constrained for the operation, maintenance and capital needs of the OCCDA and may not be utilized for other purpose as defined by the resource documentation. Further, millage revenue from Allegan County is to be used specifically for purchases of capital equipment or debt service for same by contract.

Financial Analysis of the OCCDA's Fund

As noted earlier, the OCCDA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the OCCDA *general fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the OCCDA's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Capital Asset and Debt Administration

Ottawa County Central Dispatch Authority Capital Assets (net of depreciation)

Governmental Activities	December 31, 2003	December 31, 2004
Furniture fixtures and equipment	\$6,466,133	\$6,537,516
Leasehold improvements	11,920	11,920
Accumulated depreciation	(2,738,138)	(3,478,569)
Total	\$3,739,915	\$3,070,867

Additional information on the OCCDA capital assets can be found in Note 3 on page 18 of this report.

Long-term debt.

Ottawa County Central Dispatch Authority Outstanding Debt

	December 31, 2003	December 31, 2004
Capital leases (outstanding loan principal)	\$1,542,247	\$675,625

The OCCDA has not been rated by Standard & Poor's.

Additional information on the OCCDA long-term debt can be found in Note 7 on page 20 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic downturn of recent years has brightened somewhat. Investment income for OCCDA increased by \$12,826 over the prior year (\$57,774 in FY 2004 vs. \$44,948 in FY 2003). The rates for the 2002 installment purchase agreements were very favorable due to their short terms (three and five year) and OCCDA continues to enjoy this low interest cost on the outstanding balance. Operationally, the OCCDA saw little change from the prior year except for the increase in services provided through the increase in staff salaries and benefits.

The next year continues the strong fiscal position of the OCCDA. Population growth in the OCCDA's service area is resulting in greater property valuation for increased millage based revenue. State agreements and legislation to provide funding for OCCDA needs are being upheld and contractual agreements give all appearances that they will be met.

Requests for Information

This financial report is designed to provide a general overview of OCCDA finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Richard Troshak, Director, Ottawa County Central Dispatch Authority, 15 N. Sixth St., Grand Haven, MI 49417.

BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET

DECEMBER 31, 2004

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 4,568,221	\$ -	\$ 4,568,221
Prepaid items	160,702	-	160,702
Due from other governmental units	117,909	-	117,909
Capital assets, net of accumulated depreciation	-	3,070,867	3,070,867
Total assets	<u>\$ 4,846,832</u>	<u>3,070,867</u>	<u>7,917,699</u>
Liabilities			
Accounts payable	\$ 91,543	-	91,543
Compensated absences	45,161	-	45,161
Accrued interest payable	-	17,326	17,326
Long-term liabilities			
Due within one year	-	331,021	331,021
Due after one year	-	344,604	344,604
Total liabilities	<u>136,704</u>	<u>692,951</u>	<u>829,655</u>
Fund balances/net assets			
Fund balance			
Reserved			
Prepaid items	160,702	(160,702)	-
Training	10,754	(10,754)	-
Unreserved			
Designated for:			
Infrastructure repair and maintenance	1,000,000	(1,000,000)	-
Equipment replacement	2,863,047	(2,863,047)	-
Operating contingency	675,625	(675,625)	-
Total fund balances	<u>4,710,128</u>	<u>(4,710,128)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,846,832</u>		
Net Assets			
Investment in capital assets, net of related debt		2,395,242	2,395,242
Restricted for training		10,754	10,754
Unrestricted		4,682,048	4,682,048
Total net assets		<u>\$ 7,088,044</u>	<u>\$ 7,088,044</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

**Reconciliation of General Fund Balance Sheet
to Statement of Net Assets**

DECEMBER 31, 2004

Fund balances - General Fund	\$4,710,128
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - equipment and buildings (net)	3,070,867
Certain liabilities, such as leases payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - Interest payable on lease obligations	(17,326)
Deduct - Lease payable	<u>(675,625)</u>
Net assets of governmental activities	<u><u>\$7,088,044</u></u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

**STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE**

YEAR ENDED DECEMBER 31, 2004

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Public safety	\$2,558,571	\$ 733,217	\$3,291,788
Capital outlay	64,169	(64,169)	-
Debt service			
Principal	866,622	(866,622)	-
Interest expense	63,279	(22,223)	41,056
	<u>3,552,641</u>	<u>(219,797)</u>	<u>3,332,844</u>
Total expenditures/expenses			
Program revenues			
Charges for services	2,685	-	2,685
Operating grants and contributions	3,600,561	-	3,600,561
Capital grants and contributions	420,804	-	420,804
	<u>4,024,050</u>	<u>-</u>	<u>4,024,050</u>
Total program revenue			
			<u>691,206</u>
Net program revenue			
General revenue			
Interest earned	57,774	-	57,774
	<u>529,183</u>	<u>(529,183)</u>	<u>-</u>
Net change in fund balance			
Change in net assets	-	748,980	748,980
Fund balance/net assets			
Beginning of year	4,180,945	2,158,119	6,339,064
End of year	<u><u>\$4,710,128</u></u>	<u><u>\$2,377,916</u></u>	<u><u>\$7,088,044</u></u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

**Reconciliation of the General Fund Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities**

YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - General Fund	\$529,183
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capitalized expenses	71,383
Deduct - depreciation expense	(740,431)
Principal payments on debt are recorded as expenditures in the governmental funds while principal payments on the government -wide statements is recorded as a reduction of a liability.	
Add - principal payments on debt	866,622
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in interest payable	<u>22,223</u>
Change in net assets of governmental activities	<u><u>\$748,980</u></u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenue				
Intergovernmental revenues	\$ 3,802,640	\$ 4,003,180	\$ 4,021,365	\$ 18,185
Interest on investments	70,000	70,000	57,774	(12,226)
Charges for services	1,000	1,000	2,685	1,685
Total revenue	3,873,640	4,074,180	4,081,824	7,644
Expenditures				
Current				
Personnel services	2,035,680	2,059,680	1,938,969	120,711
Supplies	122,100	122,300	57,316	64,984
Other services and charges	653,500	683,500	562,286	121,214
Capital outlay	295,000	245,000	64,169	180,831
Debt service				
Principal	866,622	866,622	866,622	-
Interest	63,668	63,668	63,279	389
Total expenditures	4,036,570	4,040,770	3,552,641	488,129
Net change in fund balance	(162,930)	33,410	529,183	495,773
Fund balance, beginning of year	4,180,945	4,180,945	4,180,945	-
Fund balance, end of year	\$ 4,018,015	\$ 4,214,355	\$ 4,710,128	\$ 495,773

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY

(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ottawa County Central Dispatch Authority (the "Authority") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Ottawa County Central Dispatch Authority (the "Authority") is a discrete component unit of Ottawa County, Michigan, and is an autonomous board, established by a cooperative intergovernmental agreement, formed to administer the public safety dispatching system in Ottawa County (the "County").

The Dispatch system was constructed by the Ottawa County Building Authority (the "Building Authority"). On March 22, 1990, the Building Authority issued \$4,420,000 of Building Authority bonds to finance the construction of the system. The County leases the system from the Building Authority. The responsibility of the Authority is limited to operation of the system.

On August 8, 1989, Ottawa County residents voted a twenty-year millage at a maximum rate of .5 mills to fund the County's lease obligation to the Building Authority and the costs of operating the system. The millage is levied by the County and transferred to the Authority. Start-up costs were funded by contributions from local units of government.

The financial statements of the Authority are included in Ottawa County's basic financial statements as a discrete component unit.

Basis of Presentation

Financial activities of the Authority are reported in one governmental fund, the general fund, which is used to account for all financial transactions including all financial resources and general operating expenditures.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by charges for services and intergovernmental revenues.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY

(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

A combined financial statement is provided for the general fund balance sheet and the statement of net assets, and the general fund revenues, expenditures and changes in fund balance and the statement of activities. The general fund is considered to be a major fund for financial reporting purposes.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund (general fund) financial statements (general fund balance sheet and general fund revenues, expenditures and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

Charges for services, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits as well as short-term investments with an original maturity of three months or less and are carried at fair value.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date donated.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY

(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (general fund balance sheet and statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

Depreciation is recorded over the estimated useful lives (ranging from five years for furniture, fixtures and equipment to fifty years for leasehold improvements) of the assets, using the straight-line method for all capital assets.

Compensated Absences

Substantially all Authority employees are granted vacation and sick leave in varying amounts based on length of service. Vacation pay is fully vested when earned. Employees are granted varying amounts of sick days annually and may accumulate up to a maximum of 20 days. Unused sick leave accumulated under the current plan is forfeited upon termination or retirement. All employees are covered under short and long-term disability benefits if an illness lasts longer than 15 working days or six months, respectively.

Accumulated unpaid vacation is recorded as a liability in the general fund of the Authority, as is expected to be paid with current financial resources. Accumulated unpaid sick pay is not recorded in the financial statements as it does not vest.

Reserved and Designated Fund Balances

In the fund financial statements, the general fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Restricted resources are utilized first to fund appropriations for allowable costs.

The Board of the Authority has formally designated 15% of budgeted revenues as an operating contingency, with the remaining unreserved fund balance being designated for future spending related to replacement of equipment and \$1,000,000 for infrastructure repair and maintenance. Although these amounts are not legally restricted, they represent current intentions of the Board.

Budgetary Process

The Authority is under formal budgetary control. Formal budget integration is employed as a management control device during the year. The Authority's budget is adopted by the Ottawa County Central Dispatch Authority Board in accordance with Public Act 621, the Michigan Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The budget, as presented in the accompanying statement of revenues, expenditures, and changes in fund balance, was prepared on the modified accrual basis of accounting.

Budgetary control over expenditures is maintained on a whole fund basis. A separate budgetary report is prepared which demonstrates compliance at the legal level of control. Expenditures may not legally exceed budgeted amounts. All budget appropriations lapse at the end of each fiscal year unless specific Board action is taken.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's cash and cash equivalents included on the statement of net assets and balance sheet are classified by Governmental Accounting Standards Board Statement Number 3 as follows:

Bank deposits	\$2,269,993
Money market mutual funds	<u>2,298,228</u>
	<u>\$4,568,221</u>

Deposits

The above bank deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$2,273,769 at December 31, 2004. Of that amount, \$100,000 was covered by federal depository insurance and the remainder of \$2,173,769 was uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution it deposits Authority funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Michigan statutes authorize the Authority to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptance of U.S. banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are categorized as either (1) insured or registered, or securities held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name, or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name.

The Authority's investment balances at year-end consisted of balances in external money market mutual funds and were not categorized as to risk because the investments owned by the Authority were not specifically identifiable.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended December 31, 2004:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End of Year</u>
Leasehold improvements	\$ 11,920	\$ -	\$ -	\$ 11,920
Furniture, fixtures and equipment	6,466,133	71,383	-	6,537,516
Total	6,478,053	71,383	-	6,549,436
Less accumulated depreciation	2,738,138	740,431	-	3,478,569
Total capital assets, net	<u>\$3,739,915</u>	<u>\$ (669,048)</u>	<u>\$ -</u>	<u>\$3,070,867</u>

4. RELATED PARTY TRANSACTIONS

Ottawa County collects taxes related to a .4419 millage property tax and transfers the tax revenue to the Authority. At December 31, 2004, Ottawa County's basic financial statements included taxes receivable of \$3,688,848 relating to such millage, which was levied for use in 2005.

During the year ended December 31, 2004, Ottawa County provided operating grants of \$3,135,533 to the Authority. Allegan County provided operating grants of \$182,282 and capital grants of \$412,626 for services provided to City of Holland residents residing in Allegan County; due from other governmental units at year end includes \$117,313 which is receivable from Allegan County.

5. PENSION PLANS

Defined Benefit Pension Plan

Plan Description – The Ottawa County Central Dispatch Authority's (the Authority) defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Employees hired before January 1, 2000 who work 30 or more hours per week are eligible to participate in the plan. The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY

(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

Funding Policy – The Authority is required to contribute at an actuarially determined rate. The current rate ranges from 0.42% to 7.45% as a percentage of covered payroll and varies by participating division. Employees currently do not contribute to the Plan. The contribution requirements of the Authority are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

Annual Pension Cost – For the year ended December 31, 2004, the Authority's annual pension expense of \$50,231 for MERS was equal to the Authority's actual and required contribution. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Authority's unfunded actuarial accrued liability, is being amortized over a period of 30 years. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/02	\$42,760	100%	\$ -
12/31/03	61,766	100%	-
12/31/04	50,231	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01	\$ 784,633	\$ 806,480	\$ 21,847	97%	\$723,538	3%
12/31/02	867,934	896,328	28,394	97%	705,310	4%
12/31/03	1,019,059	1,163,869	144,810	88%	635,846	23%

Defined Contribution Plan

The Authority's defined contribution pension plan provides pension benefits for employees hired after January 1, 2000 who work 30 or more hours per week and those hired before January 1, 2000 electing participation in the defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The Authority contributes 2% of each participant's base salary to the plan. The Authority also matches employee contributions up to a total Authority contribution of 5%. Employees are required to contribute a minimum of 2% of base pay to the plan. The Authority's contributions are vested 100% upon hire. The plan provisions and contribution amounts were established by the Authority Board and may be amended by the Authority Board. The plan is administered by MERS and the ICMA.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

NOTES TO FINANCIAL STATEMENTS

The Authority and member contributions were \$34,269 and \$34,269, respectively, for the year ended December 31, 2004.

Employer and plan member contributions are recognized in the period that the contributions are due. Plan investments are excluded from this report as the fiduciary responsibility rests with MERS and the ICMA.

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, as well as medical benefits provided to employees. The Authority has purchased commercial insurance for the above risks of loss. Settled claims have not exceeded insurance coverage for the last three years.

7. CAPITAL LEASES

The Authority has entered into a capital lease agreement for the purchase and installation of a mobile data system. The agreement provided financing of \$3,200,000 for this project. As of December 31, 2004 capital assets of approximately \$2,300,000 were included on the statement of net assets which were financed through this lease agreement. Terms for this agreement include annual payments ranging from \$358,742 to \$929,901, including interest at 4.07% through 2006.

Changes in debt for the year are as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due in One Year</u>
Leases payable	<u>\$1,542,247</u>	<u>\$ -</u>	<u>\$866,622</u>	<u>\$675,625</u>	<u>\$331,021</u>

Future minimum lease payments under capital lease agreements are as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$331,021	\$27,721
2006	<u>344,604</u>	<u>14,139</u>
Total	<u>\$675,625</u>	<u>\$41,860</u>

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**INTERNAL CONTROL
AND
COMPLIANCE**



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

March 16, 2005

Board Members
Ottawa County Central Dispatch Authority
Grand Haven, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Ottawa County Central Dispatch Authority, a component unit of Ottawa County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ottawa County Central Dispatch Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ottawa County Central Dispatch Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board members, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.